



# Montecito Sanitary District

1042 Monte Cristo Lane  
Santa Barbara, CA 93108

*A Public Service Agency*

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[www.montsan.org](http://www.montsan.org)

## FISCAL YEAR 2023-24 PROPOSED BUDGET MEMO

### MISSION STATEMENT

**“To protect the public health and safety and to preserve the natural environment through the collection, treatment, and disposal of wastewater in the most cost-effective way possible.”**

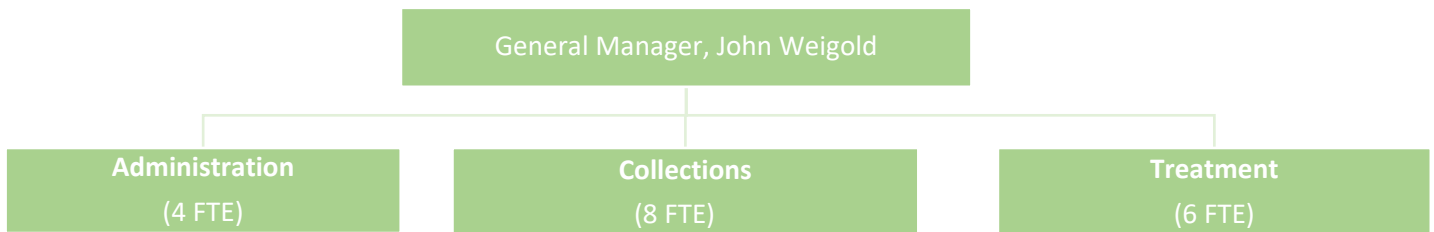
### PURPOSE

The District was organized in 1947 pursuant to the Sanitary District Act of 1923 (Division 6 of the California Health and Safety Code) to provide for the collection, treatment and disposal of wastewater to residents within its service area. The District has a service area of approximately 8.9 square miles and an estimated population of approximately 9,000 people. The District currently serves 3,185 properties.

The wastewater collection system includes approximately 77 miles of gravity sewer mains, five lift stations and 2.2 miles of sewer forcemains. The collection system's underground network of pipes range in size from 6-inch to 21-inch in diameter. The majority of the facilities were installed between 1961 and 1969.

Wastewater is conveyed to the District's Wastewater Treatment Plant for treatment. The Treatment Plant, which has a capacity to treat an average of 1.5 million gallons per day, provides full secondary treatment that includes conventional activated sludge tanks, secondary clarification, and disinfection. In 2021, the wastewater treatment reliably treated approximately 539,000 gallons per day and discharged the effluent through the 1,500 foot long ocean outfall.

### ORGANIZATION



### BUDGET STRUCTURE

Montecito Sanitary District utilizes an Enterprise Fund accounting method, appropriate for the type of utility service business that the District operates. The budget is a non-appropriated budget which supports funding the District's critical operations and capital improvement program. The flexible budget varies according to system demands and level of activity within the District on a year to year basis.

**DISTRICT RECOMMENDED OPERATIONS AND MAINTENANCE  
 BUDGET SUMMARY**

Source of Funds		Use of Funds	
Operating Revenues	\$ 6,850,000	Salaries and Benefits	\$ 3,289,900
Non-Operating Revenues	\$ 900,000	Operating Expenses	\$ 2,180,700
<b>Total Source of Funds</b>	<b>\$ 7,750,000</b>	<b>Total Use of Funds</b>	<b>\$ 5,470,600</b>

**OPERATION & MAINTENANCE REVENUES**

The District has four main types of revenues, three of which are Operating and the other Non-Operating. A description of these revenues are as follows:

**Operating Revenues:**

- **Sewer Service Charges:** The District’s primary source of revenues comes from Sewer Service Charges. The County of Santa Barbara collects these funds from the District’s customers on their annual property tax statements, and the District receives the total amount of Sewer Service Charges revenue reported to the County each year. Sewer Service Charges constitute approximately 91% of total District revenues and 97% of its total operating revenue. This revenue source is relatively stable as any increases would come in the form of an increase to the number of connections or a rate increase. No rate increase is proposed for the upcoming Fiscal Year and amounts are allocated to the District twice during the fiscal year, typically in November and April.
- **Connection Fees:** Connection Fees are established to reimburse existing customers for their investment in the wastewater collection and treatment capacity. As new customers connect to the District facilities, their connection fees contribute to future capacity upgrades. The District’s current connection fee is \$8,400 per equivalent residential unit (per Resl No. 2022-944).
- **Other Services:** The District also receives revenue in the form of miscellaneous fees for services such as plan check, processing agreements, engineering review and inspections. Total fees received for Fiscal Year 2023-2024 are projected to be around \$75,000.

**Non-Operating Revenues:**

- **Property Tax:** The District’s second highest form of revenue comes from one-half of the 1% of total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area, whether or not they are a customer of the District. This revenue source is also relatively flat as it increases/decreases with the total assessed value of properties within District boundaries. Amounts are allocated to the District twice during the fiscal year along with the Sewer Service Charges, typically in November and April.

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 Fiscal Year 2023-2024 Proposed Budget Memo

	2022-23 Approved Budget	2022-23 Projected Actuals Budget	Difference	2023-24 Proposed Budget
<b>Operating Revenues</b>				
Service Charges	\$ 6,600,000	\$ 6,569,609	\$ (30,391)	\$ 6,650,000
Connection Fees	100,000	188,612	88,612	125,000
Other Services	75,000	41,554	(33,446)	75,000
<b>Total Operating Revenues</b>	<b>\$ 6,775,000</b>	<b>\$ 6,799,775</b>	<b>\$ 24,775</b>	<b>\$ 6,850,000</b>
<b>Nonoperating Revenues</b>				
Property Taxes	\$ 665,000	\$ 715,000	\$ 50,000	\$ 725,000
Interest Income	\$ -	\$ 226,134	\$ 226,134	\$ 175,000
<b>Total Nonoperating Revenues</b>	<b>\$ 665,000</b>	<b>\$ 941,134</b>	<b>\$ 276,134</b>	<b>\$ 900,000</b>
<b>Total Revenues</b>	<b>\$ 7,440,000</b>	<b>\$ 7,740,909</b>	<b>\$ 300,909</b>	<b>\$ 7,750,000</b>

**REVENUE PROJECTIONS**

Overall, Staff is projecting an increase in total budget revenues of approximately \$290,000 in Fiscal Year 2023-24 when compared to Fiscal Year 2022-23 primarily attributed to the following:

- \$175,000 increase in interest income as interest hasn't been budgeted in prior fiscal years.
- \$50,000 increase in Sewer Service Charges due to new connections established.
- \$60,000 increase in Property Tax Revenue to align with current County of Santa Barbara estimates.
- \$25,000 increase in Connection Fees based on anticipated connection projects in the coming year.

**OPERATION & MAINTENANCE EXPENDITURES**

The Districts' Operations & Maintenance expenditures account for all the routine business expenses related to operating the treatment plant, including: Salaries and Benefits, Insurances, Maintenance and Repairs, Good and Supplies, Professional Services provided by external parties, Administrative Fees, Plant and Lab Operating Costs, Safety, Training, and Travel Costs, and Utilities.

**EXPENDITURE PROJECTIONS**

The District's Operations & Maintenance costs, along with the District's Capital Improvement Program, make up the vast majority of the District's overall expenditures for the Fiscal Year. The following sections includes a discussion of Fiscal Year 2022-2023 year-end projections and Fiscal Year 2023-2024 anticipated expenditures.

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 Fiscal Year 2023-2024 Proposed Budget Memo

	2022-23 Approved Budget	2022-23 Projected Actuals	Difference	2023-24 Proposed Budget	2022-23 Variance
<b>Operating Expenditures</b>					
Salaries and Benefits	\$ 3,143,763	\$ 2,881,078	\$ 262,685	\$ 3,289,900	\$ 146,137
Insurance	86,000	112,371	(26,371)	119,200	33,200
Maintenance & Repairs	180,000	149,352	30,648	185,000	5,000
Goods & Supplies	148,500	105,638	42,862	138,500	(10,000)
Professional Services	360,000	215,103	144,897	352,000	(8,000)
Administrative Costs	385,000	241,371	143,629	400,000	15,000
Plant & Lab Operating Costs	538,000	566,902	(28,902)	635,000	97,000
Safety, Training, & Travel	53,500	31,291	22,209	48,500	(5,000)
Utilities	266,000	264,129	1,871	302,500	36,500
<b>Total Operating Expenditures</b>	<b>\$ 5,160,763</b>	<b>\$ 4,567,234</b>	<b>\$ 593,529</b>	<b>\$ 5,470,600</b>	<b>\$ 309,837</b>

**Current Fiscal Year 2022-23**

District staff is projecting the Fiscal Year End Operating and Maintenance Fund expenditures to be approximately **\$4,567,234**, or **88.4%** of the budgeted amount. A brief description of those variances are as follows:

**Next Fiscal Year 2023-2024**

**Operating Expenditures:** For Fiscal Year 2023-24, District staff is proposing an Operating Budget to cover anticipated expenditures of total operating expenditures of **\$5,460,600**, an increase of **5.7%**. A summary of the proposed operating budget and high-level discussion are as follows:

**Salaries and Benefits Summary**

- **6100** - \$181,000 increase in regular salaries as a result of two fiscal years of COLAs being implemented during Fiscal Year 2022-23. A current vacant position is also budgeted to be fully staffed for the fiscal year.
- **6600** - \$25,000 decrease in Group Medical Insurance to align projected medical premiums
- **6400** - \$20,000 decrease in CalPERS contributions as a result of Classic CalPERS members leaving the District and new PEPRAs employees being hired in their place.
- **6105** - \$7,800 decrease in Board salaries based on a current Director’s election to not receive payment for meetings
- **6605** - \$5,000 decrease in Retirement Medical Benefits to align projected medical premiums

Net Result: These are the main factors that comprise the increase of approximately **\$146,000** in Salaries and Benefits when compared to Fiscal Year 2022-23.

**Note:** Current labor agreements with the District’s Management Group along with Service Employees International Union (SEIU) 620 have been factored into this budget. Per those agreements all staff will receive a 5% Cost-of-Living Adjustment the first full pay period of July with the exception of select Management employees.

### Operating Expenditures Summary

- **7653** – Chemicals for Plant - \$80,000 increase to Chemicals for Plant based on estimated usage in conjunction with recently negotiated price terms
- **7500** - \$65,000 decrease to Public Outreach budget based on current Board feedback
- **7671** - \$50,00 to implement a Computerized Maintenance Management System (CMMS)
- **7670** - \$50,000 to conduct a rate study to align rates with District needs by Fiscal Year 2024-25
- **7645** - \$50,000 to perform a Coastal Hazards Monitoring Plan pursuant to new requirements of the District’s NPDES permit
- **7463** - \$50,000 increase in Professional Engineering Services to assist with Engineering projects planned in Fiscal Year 2023-24
- **7763** - \$40,000 increase in electricity costs based on estimated usage and current rates
- **7670** - \$35,000 increase for an SSMP Audit and Updates
- **7675** - \$35,000 decrease in COVID-19 expenditures
- **7461** - \$30,00 increase in anticipated General Counsel legal fees
- **7467** - \$25,000 decrease in Special Legal Counsel fees due to the completion of labor negotiations
- **7670** - \$20,000 included to implement a Document Management System
- **7670** - \$15,000 included to conduct a Salary Study
- **7657** - \$15,000 increase in Plant Maintenance Materials based on price increases seen during Fiscal Year 2022-23 along with known materials needed in the new fiscal year that were not needed in 2022-23

**Net Result:** These are the main factors that comprise the increase of approximately **\$153,700** in Operating Expenditures when compared to Fiscal Year 2022-23.

The full, detailed chart of the Operations and Maintenance Budget is provided in **Attachment A – FY2023-24 Operating Budget - Proposed**. Below are some of the notable line items with some background on why they are being included in next years budget:

- **7461 – Professional Services – Legal** – This line item will now only budget and track costs for the District’s General Legal Counsel (Colantuonno Highsmith & Whatley). Staff recommends increasing this line item in Fiscal Year 2023-24 to allow for similar resources to be utilized as Fiscal Year 2022-23.
- **7466 – Professional Services – Human Resources** – This line budgets for and tracks costs for Human Resources legal support by Price, Postel and Parma for Human Resource Special under a retainer agreement. Staff recommends keeping budget consistent with prior years as no pending human resources matters need to be addressed in the near term.
- **7467 – Professional Services – Special Legal Counsel** – This line item is specifically for Special Legal Counsel as it relates to services provided by Colantuonno, Highsmith, & Whatley for the Special District Consolidation Feasibility study with Montecito Water District. This project will continue in Fiscal Year 2023-24 and currently have a not-to-exceed contract with Holly Whatley of \$25,000.
- **7430 – Memberships** – In preparation for the budget, District Staff have reviewed all professional memberships and their dues that constitute the budgeted amount for Fiscal Year 2023-24. Some of the organizations the District is a member of result in discounts for technical trainings, conferences or certification testing, while others support the District by lobbying and representing the Districts’ interest in state legislation.

- **7645 – NPDES Permit Requirements – Operations** – The District received its updated National Pollution Discharge Elimination System (NPDES) permit in Fiscal Year 2022-23. Included with that new permit are updated requirements for the District to complete, including a Coastal Hazards Monitoring Plan that is estimated to cost around \$50,000 and will be due in May of 2024.
- **7670 – Special Projects** – The Special Projects line includes some of the infrequent studies such as the ongoing Rate Study (typically every 6 years) and the Districts’ Sewer System Management Plan Audit (once every two years by regulation). Also included is the implementation of a document management system to help chronicle historical District documents into an easily accessible and identifiable network as well as a Salary and Compensation Study.
- **7671 – Asset Management** – This line item includes services to upgrade and consolidate the District’s Geographic Information Systems and begin implementation a Computerized Maintenance Management System (CMMS) for the collection and treatment operations. The District has historically used a combination of in-house software systems and paper work orders to track work completed and plan out future work. Implementing a CMMS for the District’s asset management program should increase efficiency by upgrading workflows, support record retention, and facilitate succession planning.

## CAPITAL IMPROVEMENT PROGRAM EXPENDITURES

### Current Fiscal Year 2022-23

The District is projected to spend approximately \$2,362,187 of Capital Replacement (CIP) funds by June 30, 2023, well under the budgeted amount of \$4,980,500. The District’s CIP Collection System Projects in Fiscal Year 2022-23 included the completion of the Lilac/Oak Grove Sewer Main Extension Project, the beginning of costs associated with the Highway 101 Sewer Main Relocation project, various manhole adjustments, disinfection pumps replacements, and Recycled Water Feasibility Study costs. Some of the projects are in the beginning stages of their timeline and will continue into the next fiscal year.

### Next Fiscal Year 2023-24

The District is proposing an extensive CIP schedule for Fiscal Year 2023-24 that focuses the attention back to the infrastructure of the District. In prior fiscal years District resources have been diverted mainly to the CalTRANS Highway 101 widening project and the Lilac/Oak Grove Sewermain Extension project, leaving previously identified District CIP Projects to be pushed off to later dates. Some of the projects outlined for the next fiscal year have been identified in this year’s mini master plan as critical infrastructure needs while others have come about as a result of damage incurred during the January Winter Storm.

The following summary table is a high-level breakdown of the proposed capital expenditures for the upcoming Fiscal Year. It is important to note that the figures in the summary table include both soft costs (planning, design, and construction management), as well as construction, equipment purchases and some contingency to account for minor changes in scope or purchasing factors such as inflation. It is also important to note that these projects include any outsourcing of engineering services needed to ensure these projects move forward.

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Program	2023/2024
Collections	\$ 4,020,000
Lift Stations	\$ 500,000
Treatment & Laboratory	\$ 2,830,000
Facilities	\$ 75,000
Sewer Main Extensions	\$ 70,000
<b>Total</b>	<b>\$ 7,495,000</b>

A brief description of each project included in the six CIP programs is provided below. A full breakdown of the proposed CIP Budget can be seen in **Attachment B – FY2022-23 CIP Budget – Proposed**.

**Collections Program**

- Collection System Condition Assessment & Prioritization Plan – Develop a comprehensive gameplan to efficiently prioritize and address collection system maintenance items.
- Highway 101 Sewer Main Protect-In-Place – Continue work related to CalTRANS widening of Highway 101 by protecting-in-place District infrastructure in the construction zone.
- Large Diameter Sewer Main Rehabilitation – Design – Complete design work on rehabbing the District’s main input sewer main to the Treatment plant.
- Manhole Rehab Project (Lining) – Complete lining work on approximately 22 prioritized manholes that require repair work.
- Emergency Bypass Pumper – Obtain an Emergency Bypass Pumper for use in emergency situations.
- FEMA Rehabilitation – The Board has been given reports on four project areas requiring rehab work after the January Winter Storm. The District is eligible for FEMA Reimbursement for these projects and staff has been working diligently with FEMA to ensure eligibility.
- Manhole Adjustments – Annual raising and lower of manholes on an as needed basis.
- Collection O/M Emergencies – Miscellaneous budget set aside for Collections System emergency events. Ideally this money would not be utilized in the fiscal year.
- Equipment Replacement – Staff is looking to replace its VacCon truck as well as a District Utility Truck.

**Lift Station Program**

- Lift Station Condition Assessment & Prioritization Plan - Develop a comprehensive gameplan to efficiently prioritize and address lift station maintenance items.
- Channel Lift Station Improvement – Address needed improvement to the Channel Lift Station that recently failed in Fiscal Year 2022-23. This budget is for only the lift station component of the project.
- Lift Station Emergency Repairs - Miscellaneous budget set aside for lift station emergency events. Ideally this money would not be utilized in the fiscal year.

**Treatment & Laboratory Program**

- Electrical Rehabilitation and Aeration Blower Replacement - This is a carryover from the prior Fiscal Year. Due to the complexity of the project and potential available funding sources, District staff anticipates requesting proposals from qualified firms to complete the design as it currently is scoped. Ideally, the construction work would be initiated in the latter half of Fiscal Year 2023-24 and a portion of the budgeted amount would be spent this fiscal year.
- Skimmer Troughs Installation – Installation of the replacement skimmer troughs each of the four clarifiers by contractors.

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- SCADA System Improvements - The District will be working in Fiscal Year 2023-24 to improve its SCADA system along with the electrical rehab project. This serves as a “backbone” Supervisory Control and Data Acquisition (SCADA) system for critical and basic treatment processes. Staff is proposing to budget some money in the next two Fiscal Years to map out the existing system, develop the plan and then implement additional functionality when new equipment is installed. The first projects that will be critical to incorporate the SCADA upgrades in are the Electrical Rehabilitation and Aeration Blower Replacement Project.
- IPS Channel Improvements – Staff is proposing to complete design work related to IPS Channel Improvements with construction beginning in the next fiscal year.
- Bar Screen Design – Staff is proposing to do design work to install a bar screen to help mitigate future damage to equipment/infrastructure. Construction would begin in the next fiscal year.
- Clarifier Maintenance – Staff is proposing to perform maintenance work on its four clarifiers.
- Bisulfate Tank Replacement - The District’s bisulfate tank is past its useful life and should be replaced prior to potential hazardous leaks occurring.
- Treatment O/M Emergencies - Miscellaneous budget set aside for Treatment System emergency events. Ideally this money would not be utilized in the fiscal year.

**Facilities Maintenance Program**

- Maintenance Building Restroom Alterations – Staff is proposing to do design work for alterations to the Maintenance Building Restroom, with the thought of providing the ability to have overnight accommodations for staff in the event of an emergency.
- Admin/Operations Roof Replacement - The roof for the Admin/Operations Building is a carryover from the prior Fiscal Year. The roof requires different repair method and will be completed in Fiscal Year 2023-24.

**Sewer Main Extension Program**

- Septic-to-Sewer Strategic Plan – Staff is proposing hiring a consultant to help develop a comprehensive Septic-to-Sewer Strategic Plan with input from the Board.

**2017 SEWER REFUNDING REVENUE BONDS – CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA)  
FINANCE CORPORATION**

In May 2017 the District refunded its 2007 Certificates of Participation (COP) This refunding decreased the maturity term by seven years, removed the requirement for a reserve fund, and took advantage of lower interest rates.

The District will make two payments on its bond during Fiscal Year 2023-24 totaling \$934,100. Of this total \$710,000 will be applied to principal, \$224,100 will be applied to interest. After all Fiscal Year 2023-24 payments are made the remaining balance of the bond will be \$4,970,000 and the bond is expected to be paid off by July 1, 2030.



**ANNUAL DEPRECIATION FUNDING**

Annually, the Board considers contributing to the District’s Capital Replacement Fund. Typically, this contribution has been based on the prior fiscal year’s annual depreciation expense. The current year contribution based on the Fiscal Year 2021-22 Financial Audit would be \$1,243,993. It should be noted that the District may withdraw monies from the Capital Replacement Fund at any time to fund capital projects or to meet any operational needs of the District.

**FY 2023-24 PROJECTED OPERATIONS & MAINTENANCE AND CIP CASH POSITION**

Taking into account the projected remaining expenditures for Fiscal Year 2022-23 and the proposed budget for Fiscal Year 2023-24, the District’s projected cash position for its Operations and Maintenance fund and Capital Replacement fund are as follows:

**Operations and Maintenance Funds**

	<b>2022-23 Projected</b>	<b>2023-24 Projected</b>	<b>Difference</b>
<b>Beginning Cash Balance</b>	\$ 9,500,348	\$ 10,398,121	\$ 897,773
Plus: Revenues	7,645,500	7,750,000	104,500
Less: Expenditures	(4,567,234)	(5,470,600)	(903,366)
Less: Bond Payments	(936,500)	(934,100)	2,400
Less: Capital Replacement Fund Contribution	(1,243,993)	(1,275,000)	(31,007)
<b>Projected Ending Cash Balance</b>	<b>\$ 10,398,121</b>	<b>\$ 10,468,421</b>	<b>\$ 70,300</b>

**Capital Replacement Funds**

	<b>2022-23 Projected</b>	<b>2023-24 Projected</b>	<b>Difference</b>
<b>Beginning Cash Balance</b>	\$ 9,500,348	\$ 8,382,154	\$ (1,118,194)
Plus: Revenues	1,243,993	1,275,000	31,007
Less: Expenditures	(2,362,187)	(7,495,000)	(5,132,813)
<b>Projected Ending Cash Balance</b>	<b>\$ 8,382,154</b>	<b>\$ 2,162,154</b>	<b>\$ (6,220,000)</b>

The District anticipates a cash balance of approximately **\$10,468,421** in its Operations and Maintenance funds and **\$2,162,154** in its Capital Replacement funds at 6/30/2024, based on the proposed budgetary figures presented in Attachments A and B.

In summary, the District will head into Fiscal Year 2023-24 in great financial shape, and based on staff projections, will continue to be so at the culmination of the fiscal year. At each quarterly financial update staff will inform the Finance Committee and the Board of Directors of any significant variations (both positive and negative to the fiscal condition of the District) that arise during the year and seek guidance on how to address such items.

**Attachments:**

- Attachment A – FY2023-24 Operating Budget – Proposed
- Attachment B – FY2023-24 CIP Budget – Proposed